

MARKETING IN THE PERFORMANCE OF SME'S

Iuliana, Ciochină¹
Iuliana, Cebuc²

Abstract:

In the business environment troubled by the economic crisis with major changes occurring in the national, European or world economy, small and medium enterprises have acquired additional concern since they are regarded as the key to economic dynamism and they build up a field whose features are diversity, dynamism and flexibility. In such a context, the role of marketing to manage such enterprises' performance is highly important. Successfully implementing marketing methods, optimally using marketing techniques and instruments, understanding the objectives and assessing the outcomes are essential steps to almost all important decisions in a company. Marketing provides information on the market, customers, competitors, suppliers and the business environment in general, it allows the planning of activities and the preparation of successful strategies.

Keywords: *small and medium enterprises, marketing of SME's, marketing mix, marketing planning, marketing strategy.*

JEL Classification: L26

1. Research Methodology

This paper envisages the identification of the main entrepreneurial marketing elements that are required by small and medium enterprises in the current economy, in order to increase their competitiveness, to improve customer relations meant to provide efficient planning in the field. It is the reason why the authors herein have undertaken a study of specialty literature in the field of marketing in connection with the performance of small and medium enterprises so that to highlight the sector's and surveys' importance regarding the management of SME's.

2. Place and Role of SME's in an Economy

The share of small and medium enterprises in the market structure has increased over the last decades. Since they used to be regarded as an economy's growth engine until 1970, large companies have lost some of their share to the benefit of SME's which have become major source of employment, entrepreneurial, innovative skills, making up the proper environment for employees' training and also a significant economic and social cohesion factor as the sector of SME's is today a strategically interesting field to any economy.

Having its positive effects upon the national, European and world economies, by having improved its competitive environment, by creating development and flexibility opportunities while adapting to new technologies, to the actual market requirements, occupying market segments that are non-profitable to large enterprises, the chance to quickly meet local demands efficiently capitalizing opportunities by the use of local resources, the SME sector contributes in ensuring balanced economic and social growth.

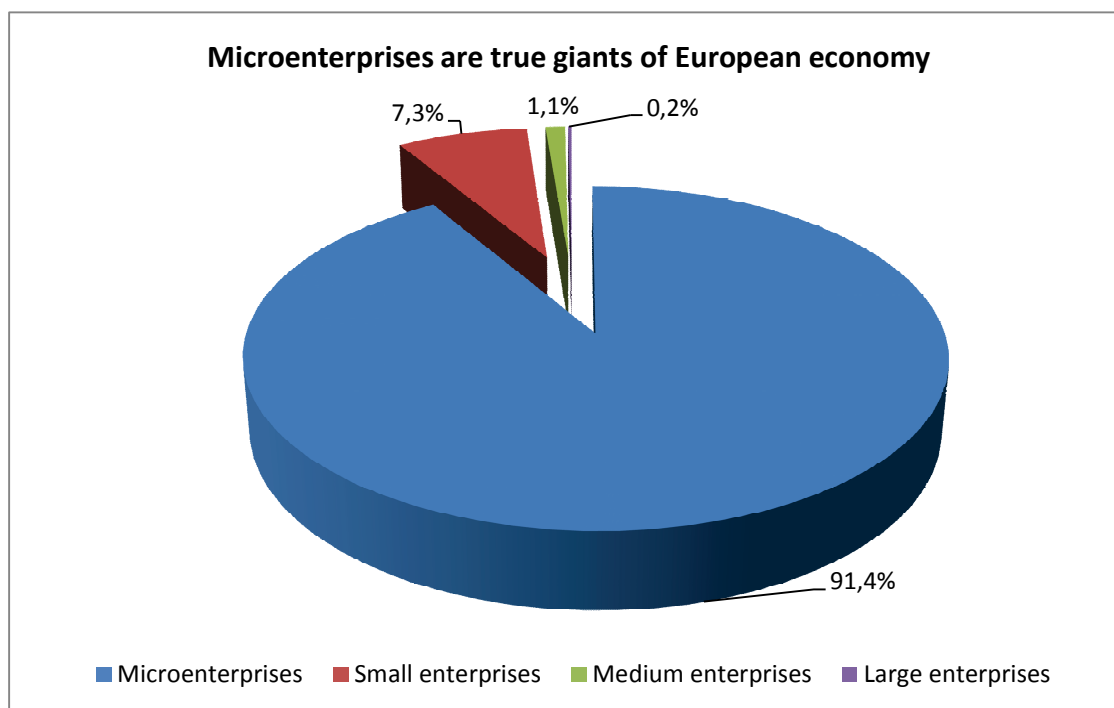
SME's by their small dimensions but large number emphasize the market's atomicity lowering the influence of large enterprises and weakening their monopoly over the prices.

ACS and Audretsch (Zoltan Acs and David B. Audretsch, 1990) outline the existence of six major factors underlying changes in favor of the SME sector: i) flexibility to implement new technologies, develop transportation and the technology of information and

¹ Ph.D. Professor, "Constantin Brâncoveanu" University of Pitești, Faculty of Management Marketing in Economic Affairs, Râmnicu Vâlcea, iulianaciochina@yahoo.com

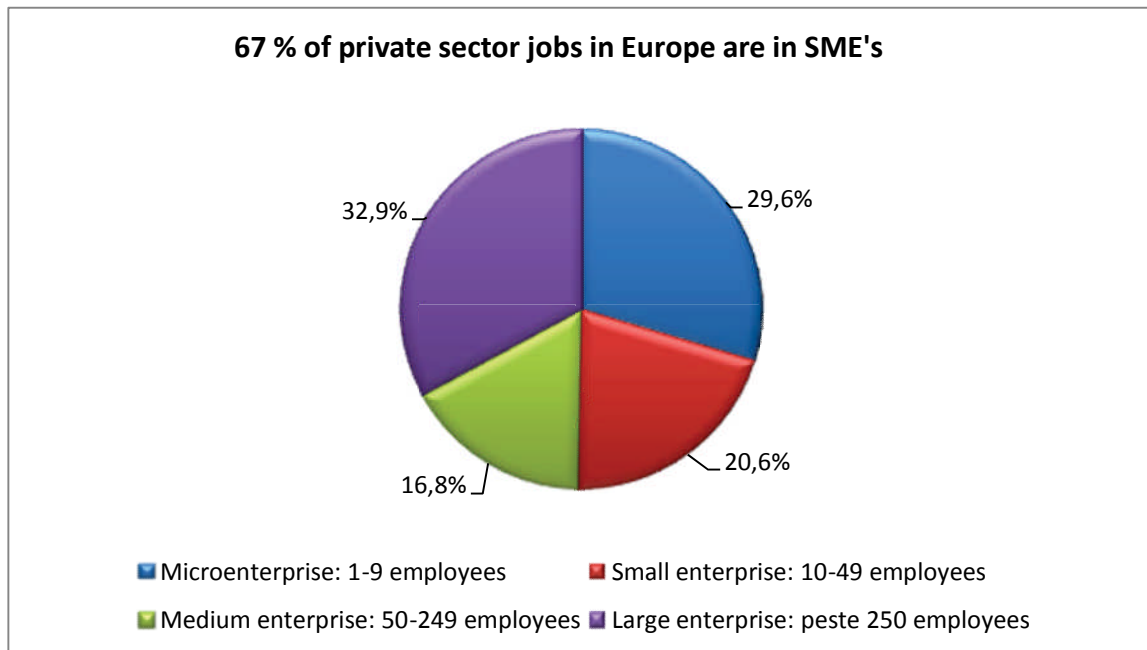
² Ph.D. Lecturer, "Constantin Brâncoveanu" University of Pitești, Faculty of Management Marketing in Economic Affairs, Râmnicu Vâlcea, iulianacebuc@yahoo.com

communication; ii) globalization of markets; iii) changing structure of the labor force; iv) consumer preference to differentiated products which has led to market fragmentation; v) government deregulation at market level and vi) a time of “creative destruction”. The objectives of the European Union envisage the preparation of coherent national policies to allow SME’s to turn environmental challenges into opportunities, to facilitate the access to grants, revealing the importance of small companies in the European economic progress.



More than 23 million small and medium enterprises in Europe are the living force of the European economy, “Small and medium enterprises (SME’s) make up the backbone of the European Union economy – namely 99.8 % of financial non-enterprises, that is 20.7 million enterprises. The vast majority, 92.2%, are microenterprises and the remaining 6.5% are small and medium enterprises, with only 1.1% medium-sized. As far as labor force employment is concerned, SME’s own about 67.4 % of jobs outside the financial sector, two thirds of the jobs in the private sector and they generate more than half of the value-added tax. Therefore, SME’s can be regarded as factors of prosperity and economic growth that have a major role in innovation, research and development” (EU SME’s in 2012, p.17). The “2020 Europe” Strategy and the European economy largely rely on capitalizing the potential small and medium enterprises have (SME’s). That is why, the first comprehensive policy framework for SME’s was set up in 2008 in the European Union and its member states by the initiative called “Small Business Act” (SBA) for Europe. (Ciochină I, Pănoiu L., 2013)

One of the top priorities at European level is to encourage individuals’ strong endeavors to become entrepreneurs and the European Commission closely collaborates with the national authorities of the European Union to reach this goal. Günter Verheugen, the former Vicepresident of the European Commission in charge of enterprises and industry, stated that “Entrepreneurs are the economic DNA needed to enhance competitiveness and innovation in Europe”.



Furthermore, they are regarded as being very important to promote countries' regional growth. The European Union has developed instruments to encourage regional growth, to support the initiatives of regional market players and to promote network collaboration among various regions in the EU. Such instruments encourage entrepreneurship, help new enterprises and make SME's more competitive.

3. The Need for Marketing in SME Performance

In order to help them become aware of their growth potential, the European Union acts so that to promote entrepreneurship and to create a business environment that is more favorable to small and medium enterprises. Ever since 2005, the EU has placed SME's in the heart of the Lisbon strategy for growth and employment (COM (2005) 551 Lisbon Community Program Final Version, 10 November 2005).

However, the difficult accessibility to financial resources, lower demand, paperwork, slower economic growth at world level, excessive taxation, inflation are all major obstacles that SME's still face and they cause troubles regarding the overall development of the national and international business environment as they operate in a marketing environment coping with a lot of uncertainties.

In such a context, better understanding the key factors that may influence the performance of SME's is primordial and marketing may be the key to successful business and play an essential role. The research in the field has shown that in order to meet their organizational goals, SME's do not adopt the marketing concept as well as large companies do (Pollard, D.J. and Jemicz, M.W., 2006) and that marketing practice in SME's has several peculiarities as to the application and efficiency level. "However, it is well-known that marketing is not fully understood in an enterprise. An entrepreneur participates in marketing network where he/she interacts with network players: customers, suppliers, competitors, business partners and employees so that to meet company requirements (Gilmore, Audrey, Carson, David and O'Donnell, Aodheen, 2004).

The marketing of SME's is not conventional marketing due to resource limits that are inherent to all SME's, due to the little awareness on marketing planning and because an owner or an entrepreneur acts differently when making decisions as compared to

conventional decision-making in large companies. Proper marketing relies on their features, sizes, limited resources, entrepreneur influences, strong emphasis on sales, good awareness of formal marketing aspects and personal contact networks in order to properly assess the ability of marketing planning (Audrey Gilmore, David Carson, Ken Grant, 2001).

The role of marketing is:

- to support SME's so that they should benefit more from market opportunities and develop long-lasting innovations;
- to achieve better market ranking of business;
- to create sustainable competitive advantages.

Marketing in Romania is little represented in the sector of SME's as one's perception of it confines to communicational policy elements that seem accessible to everyone.

4. Marketing Performance in SME's

To many people running their business included in the category of small and medium enterprises, marketing is a timid subject which mainly happens in large companies. Yet, practice has shown that any subject uses "instruments" to adjust to any business structure, thus emphasizing the elements applicable to SME's and identifying the key points of supply and demand and orienting business activities according to the features of its environment.

Entrepreneurial marketing becomes true in the pro-active identification and use of opportunities to attract and keep profitable customers by the innovative approach of risk management, the most efficient use of resources and the set-up of a higher value to customers. Entrepreneurial marketing lies on the buffer between entrepreneurship and marketing protecting the emergent prospects of marketing. (Foltean Florin, 1/2007)

As a science and a "business philosophy", marketing involves the knowledge of those who start and develop business both on theoretical scientific concepts and on practical aspects. The successful application of methods, the optimal use of objectives and the assessment of outcomes are all essential to each important decision that must be made in a company. Marketing provides information on the market, customers, competitors, suppliers and the business environment in general, it allows planning the activities, preparing successful strategies and better competitiveness.

Marketing is involved in three key fields when it comes to these companies: 1. Product/service innovator. 2. Positioning itself in the focus of customers in a marketing vision correlating customer needs with company offers. 3. Ability to make changes in the market, competition, consumer behavior, to direct business towards progress (<http://claudegeynst.tumblr.com/>). The marketing performance of SME's can be divided into five categories (www.abce.org):

1. *Tasks focused on customers and prospects*
 - Face-to-face meetings with customers;
 - Commercial events;
 - Studies on consumer behavior;
2. *Instrument-related tasks*
 - Documentation;
 - Websites;
 - Preparation of sale supporting materials;
 - Selection of distribution channels;
3. *Product-related tasks*
 - Research on various products;
 - Testing various products;
 - Examination of competing products;

4. *Environment-oriented tasks*
 - Environmental studies;
 - Research on market diversity;
 - Competitive and technological intelligence;
5. *"Mass marketing" tasks*
 - Qualitative market studies;
 - Public relations;
 - Public campaigns.

In the current context where the business environment faces quick sometimes unexpected changes, the research on how SME's should be managed shows that by their marketing performance companies need to consider changes as opportunities to reach better outcomes and not the opposite idea.

The main directions identified therefore which marketing should envisage in SME's are:

A. The market. Considering customer needs and competitors' strategies, a company aims at two main goals: market position evaluation and market strategy preparation. The SWOT analysis and the identification of competitive advantages allow better company ranking, activity planning focus in order to efficiently capitalize all opportunities and decrease the effects of environmental threats. A company and its environment set up a system of relations that mark their entire marketing performance and the way company policies integrate and combine related to a product, price, placement and promotion leads to company success or failure in the market. The domestic environment of SME's is complex and the markets where they operate have few convergence elements. Thus, some SME's manufacture high-technology goods which they retail in very narrow market breaches and which they possibly improve by additional services. Other SME's particularly address some clientele which they provide with products meeting specific requirements, appealing to specially developed technology. (Ph.D. Professor Someșan Cornel, 2008)

Market analysis and consumer behavior examination offer a company the chance to prepare strategies meant to ensure the rapid adjustment to the changes occurring in the environment, to quickly meet consumer needs and the principles of making them loyal.

B. Activity Planning. A well-defined marketing strategy may improve profitability, including longer lives of customers, as shown in Diagram 1.

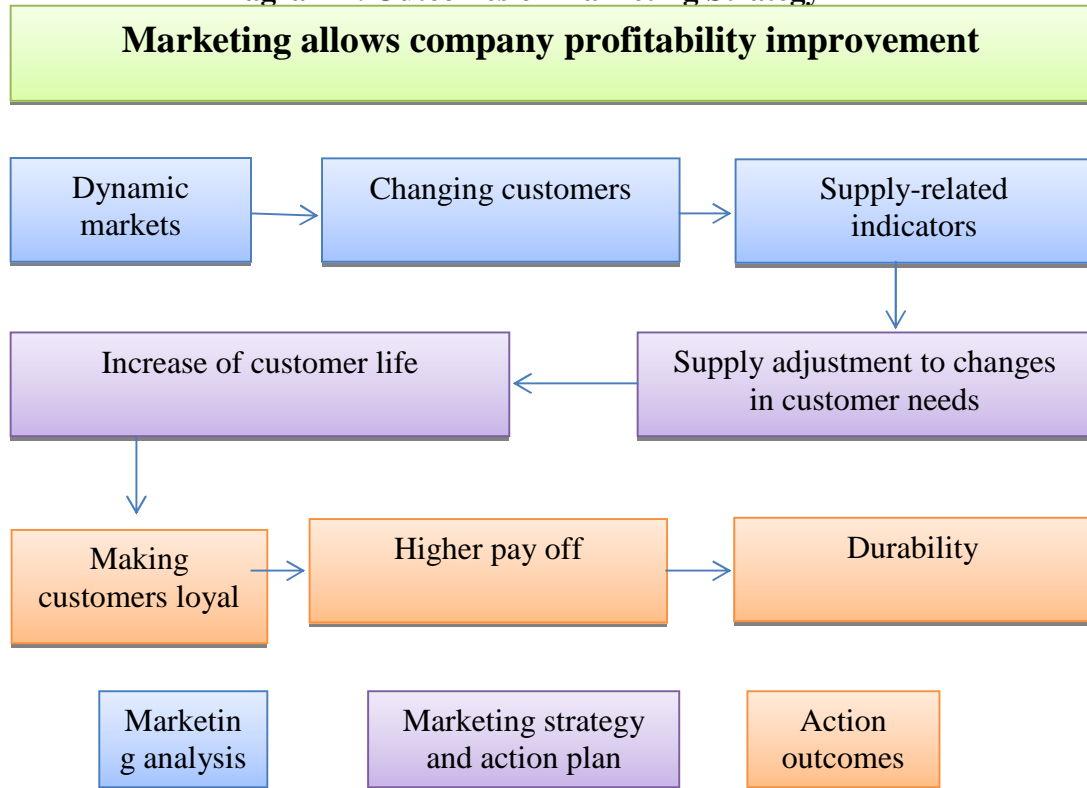
Applying a strategy requires the set-up of the best techniques to ensure the optimization of marketing efforts regarding goods, services, prices, communication, placement and adjustment to various types of customers, it triggers resources and means to accomplish performance and competitiveness goals.

Defining the marketing mix is an important feature in marketing strategy. The most efficient marketing endeavors end up with more satisfied customers and the right profits to a company.

Nowadays, innovation is more important than ever since it is about business survival and progress and it means the starting point in any business opportunities so that to identify new ways to promote a product or a service. Often lacking financial resources and internal expertise to do research, SME's find it difficult to implement innovative ideas.

C. Sustainable Profitability. The European Union encourages SME's to engage on the path to sustainable growth both from the environmental and social perspectives, as a solution for economic growth and competitiveness in the Union. Sustainable growth considers three aspects: sustainable economic growth, environment preservation and social responsibility. Romanian SME's have made progress when implementing environmental policies in the field of risk prevention and waste management.

Diagram 1. Outcomes of Marketing Strategy



Source: [David AZOULAY](http://www.marketingpourpme.org/xwiki2/bin/view/NBAccueil/), Pourquoi élaborer une stratégie marketing pour mon entreprise ou mes domaines d'activité ? (Why Prepare a Marketing Strategy for My Enterprise or My Fields of Activity) , <http://www.marketingpourpme.org/xwiki2/bin/view/NBAccueil/>

According to "SME'S and the Environment in the EUROPEAN UNION", a study on SME's and Environment in the European Union laid down by the European Commission (http://ec.europa.eu/enterprise/policies/sme/business-environment/environmental-challenge/index_en.htm), it is shown that they need financial support and consultancy in order to accomplish marketing campaigns for the promotion of ecological products, for the certification of such product's manufacturing and retail. Environment management systems are too costly and too complicated for microenterprises or small enterprises which would rather resort to cheaper solutions and easier, more accessible technologies.

D. Customer Relations. A customer is the focus of a company's marketing vision. The main marketing goal is to know and understand customers and their needs for prospects with the purpose of developing new products and service that easily meet their requirements and wishes. Identifying such needs can often make the difference from competition. In order to increase company competitiveness in the current environment, the customer relations management is highly important in the field of sales and marketing.

Customer relations management helps a company quickly understand and cope with the changes occurring in consumer behaviors, achieve products adapted to targeted customer segments. Managing such relations well allows the anticipation of customer needs, offer differentiation from the products or services of competing companies, attracting new customers sooner or improving the methods to make current customers more loyal, it generates the improvement of how a company is viewed. Keeping customers by making them more loyal shall decrease costs and ensure a true and fair view of a company. A survey made by Fred Reichheld de la Bain & Company shows that a 5 % increase in the loyalty level of current customers generates an average profit increase of

more than 25 %, whereas attracting a new customer triggers six or seven times more resources (money and time) than in keeping an already existing relation. The strategy of making customers loyal has often been neglected or even absent in small and medium enterprises as an entrepreneur is not concerned with the "growth" policy of their own customers. Fred Reichheld, "The best way to measure loyalty is to simply ask people an easy question which I call the ultimate question: "Can you recommend us to a friend ?" ([Fred Reichheld](#), 2006)

5. Conclusions

Marketing blends with other activities in the performance of SME's but it is essential to understand its context especially referring to customer involvement, entrepreneurial innovation and marketing approaches. Developing marketing plans and efficiently communicating to target consumer segments are difficult tasks to entrepreneurs but the quality of such services directly influences a company's outcomes. Marketing allows better ranking and better promotion of a company. Moreover, creativity and innovation are essential elements in entrepreneurship which usually generates a market competitive advantage of a company. The heterogeneity of SME's requires the presence of a large variety when it comes to the strategies that can be applied to their activities in the context of the current economic crisis. SME's should be supported so that to take steps against the crisis grouped under two comprehensive categories: incentives for the demand and increase in competitiveness. In addition, it is necessary to provide general information and guidelines, consultancy and counseling to improve entrepreneurship, to help small and medium enterprises analyze and evaluate their capabilities of using various marketing techniques, methods and instruments so that to raise their profitability, to rank better, to contribute in regional growth.

Reference list:

1. Aaker, D.A. (2004), Strategic Market Management, (7 th edition) Wiley, New York.
2. Acs Zoltan, David B. Audretsch (1990), Innovation and Small Firms, The MIT Press; First Edition, 1990
3. Carson, D. (1999) Marketing for Small-to-Medium Enterprises. in Baker, M.J. (Ed.). The Marketing Book, 4th ed. Oxford: Butterworth-Heinemann, pp. 621-638. '
4. Callies Sophie, François Laurent (2013), PME: Gagnez en compétitivité grâce à votre marketing. Comment réconcilier le marketing avec la petite entreprise (Gain Competitive Advantages Tanks to your Marketing. How to Reconcile Marketing and Small Enterprises), Dunod Publishing House
5. Ciochină Iuliana, Pănoiu Laura, Soluții de finanțare a IMM-urilor în România (Funding Solutions for Romanian SME's) – Annual National Conference on Current Issues of the National and Regional Economy – Strategies to Reduce Crisis Effects, Constantin Brâncoveanu University, Pitești, 29 March 2013
6. Claude De Geynst, Le marketing adapté aux PME (PME-Adapted Marketing), 2011, <http://claudegeynst.tumblr.com>
7. Damian Hine, David Carson, (2007), Business & Economics Innovative Methodologies in Enterprise Research
8. Foltean Florin, (2007), Abordarea antreprenorială în marketing (Entrepreneurial Approach in Marketing), Management & Marketing Review 1, 2007
9. Fred Reichheld, (2006), The Ultimate Question: Driving Good Profits and True Growth, Bain&Company
10. Gilmore Audrey, David Carson, Ken Grant (2001), SME Marketing in Practice, Marketing Intelligence & Planning, MCB UP Ltd.

11. Gilmore Audrey, David Carson, (2007) Teaching and Research in Small Business Enterprise Marketing: Critique and Some Alternatives in Damian Hine and David Carson, Innovative Methodologies in Enterprise Research, Edward Elgar Publishing, 2007
12. Gilmore, Audrey, Carson, David and O'Donnell, Aodheen (2004) Entrepreneurs at the Interface and their Attitude to Risk. Marketing Intelligence and Planning, 22 (3). pp. 349-360.
13. Noel Capon, (2012), Managing Marketing in the 21st Century (3rd Edition), Wessex Press
14. O'Donnell, Aodheen (2011), Small Firm Marketing: Synthesizing and Supporting Received Wisdom. Journal of Small Business and Enterprise Development, 18 (4). pp. 781-805.
15. Pollard, D.J. and Jemicz, M.W. (2006), Marketing Deficiencies and the Internationalization of Czech SME's. International Journal of Entrepreneurship and Small Business. 3 3/4 400- 416.)
16. Someșan Cornel, Marketing antreprenorial (Entrepreneurial Marketing). Module 7, Course prepared in project entitled: "Entrepreneurship Promotion and Entrepreneurial Training in the Business Environment of Sălaj County", granted by the European Social Fund by the Sectorial Operational Program on Human Resources Development 2007-2013, <http://www.ccisalaj.ro/proj/modul7.pdf>,
17. Association Bretagne des Consultants d' Entreprise, www.abce.org, http://www.breizh-conseil.org/offres/file_inline_src/299/299_P_4637_2.pdf
18. Business Science Reference, Small and Medium Enterprises: Concepts, Methodologies, Tools, and Applications, edited by Information Resources Management Association, USA,
19. EU SMEs in 2012: at the Crossroads, Annual report on small and medium sized enterprises in the EU, 2011/12, European Commission
20. European Commission ENTERPRISE AND INDUSTRY PUBLICATIONS, The New SME Definition, User guide and model declaration, Official Journal of the European Union C 118 of 20 May 2003,
21. Lisbon Community Program – A Modern Policy of SME's to the Benefit of Labor Force Improvement and Employment", COM(2005) 551 final, 10 November 2005
22. <http://vox.publika.md/social/necesitatea-marketingului-38841.html>
23. http://www.marketingpourpme.org/xwiki2/bin/view/Space_think/cardeD8Ms1Cuu6?selectedChapter=Pourquoiconnaitremonmarche6U5DwYp9MM&selectedSubChapter=